



Cambridge International AS & A Level

BUSINESS

9609/22

Paper 2 Data Response

October/November 2021

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **30** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

**Social Science-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Question	Answer	Marks																													
1(a)(i)	<p data-bbox="316 282 823 315">Define the term ‘fixed cost’ (line 19).</p> <table border="1" data-bbox="320 349 1315 611"> <thead> <tr> <th data-bbox="320 349 1158 409">Knowledge</th> <th data-bbox="1163 349 1315 409">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 416 1158 477">A correct definition</td> <td data-bbox="1163 416 1315 477">2</td> </tr> <tr> <td data-bbox="320 483 1158 544">A partial, vague or unfocused definition</td> <td data-bbox="1163 483 1315 544">1</td> </tr> <tr> <td data-bbox="320 551 1158 611">No creditable content</td> <td data-bbox="1163 551 1315 611">0</td> </tr> </tbody> </table> <p data-bbox="316 645 571 678">Indicative content</p> <p data-bbox="316 712 818 745">AO1 Knowledge and understanding</p> <p data-bbox="316 752 967 786">A cost that does not change – as output changes.</p> <table border="1" data-bbox="320 813 1315 1637"> <thead> <tr> <th data-bbox="320 813 855 873">Exemplar</th> <th data-bbox="860 813 1007 873">Marks</th> <th data-bbox="1011 813 1315 873">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 880 855 976">Does not vary when the business produces more</td> <td data-bbox="860 880 1007 976">2</td> <td data-bbox="1011 880 1315 976">Both elements covered</td> </tr> <tr> <td data-bbox="320 983 855 1079">It stays the same no matter how much is produced</td> <td data-bbox="860 983 1007 1079">2</td> <td data-bbox="1011 983 1315 1079">Both elements covered</td> </tr> <tr> <td data-bbox="320 1086 855 1308">Fixed costs do not change over time</td> <td data-bbox="860 1086 1007 1308">1</td> <td data-bbox="1011 1086 1315 1308">One element – the point about fixed costs is that they do not change as output changes, not time</td> </tr> <tr> <td data-bbox="320 1314 855 1375">They do not vary</td> <td data-bbox="860 1314 1007 1375">1</td> <td data-bbox="1011 1314 1315 1375">One element</td> </tr> <tr> <td data-bbox="320 1382 855 1541">Not linked to sales</td> <td data-bbox="860 1382 1007 1541">1</td> <td data-bbox="1011 1382 1315 1541">One element – no idea of not changing but has the link to output</td> </tr> <tr> <td data-bbox="320 1547 855 1637">Costs which are fixed</td> <td data-bbox="860 1547 1007 1637">0</td> <td data-bbox="1011 1547 1315 1637">Do not reward ‘fixed’ as it is a tautology</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	Does not vary when the business produces more	2	Both elements covered	It stays the same no matter how much is produced	2	Both elements covered	Fixed costs do not change over time	1	One element – the point about fixed costs is that they do not change as output changes, not time	They do not vary	1	One element	Not linked to sales	1	One element – no idea of not changing but has the link to output	Costs which are fixed	0	Do not reward ‘fixed’ as it is a tautology	2
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Question	Answer	Marks												
1(a)(ii)	<p>Explain the term ‘profit margin’ (line 11).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="320 383 1310 808"> <thead> <tr> <th></th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Application of a profit margin to a business through an example or some other way of showing good understanding – i.e. a use of profit margins, or two different profit margins – gross, net, operating, etc.</td> <td>1</td> </tr> <tr> <td>B</td> <td>Understanding of the concept of a profit margin (in terms of a percentage or proportion) – assume knowledge of profit.</td> <td>1</td> </tr> <tr> <td>A</td> <td>Understanding of profit.</td> <td>1</td> </tr> </tbody> </table> <p>Indicative content</p> <p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> Profit – the difference between total revenue and total cost. Profit margin – a profit margin is the difference between the revenue and costs / revenue minus costs expressed as a proportion of revenue / divided by revenue. <p><i>A correct profit margin formula should be awarded the A and B marks. If the candidate gains the B mark, then it is assumed that they will also gain the A mark.</i></p> <p>AO2 Application</p> <p>Application of a profit margin, such as:</p> <ul style="list-style-type: none"> A use of a profit margin, e.g. used to determine/compare performance. The comparison of two different profit margins. A potential user of a profit margin, e.g. used by shareholders to see if they should invest, used by managers to make business decisions, etc. 		Rationale	Marks	C	Application of a profit margin to a business through an example or some other way of showing good understanding – i.e. a use of profit margins, or two different profit margins – gross, net, operating, etc.	1	B	Understanding of the concept of a profit margin (in terms of a percentage or proportion) – assume knowledge of profit.	1	A	Understanding of profit.	1	3
	Rationale	Marks												
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A	Understanding of profit.	1												

Question	Answer			Marks
1(a)(ii)	Exemplar	Mark	Rationale	
	Net profit/revenue x 100. It can be used to compare business performance	3	A, B and C. If there is knowledge of a profit margin, then assume the A mark	
	It is the proportion of revenue that is profit. A 15% profit margin means that for every \$1 of revenue, the business makes \$0.15 profit	3	A, B and C	
	$\frac{\text{Gross profit}}{\text{Revenue}} (\times 100)$	2	A formula gains the A and B marks. Could be expressed as a ratio, not percentage	
	The proportion of revenue that is profit	2	Although there is not an explicit understanding of profit, if a candidate gains the B mark, then they also gain the A mark	
	It is the difference between costs and revenue	1	Understanding of profit, but not the margin	
	It is how much profit a business makes	0	No understanding of profit or the margin	
ARA				

Question	Answer	Marks										
1(b)(i)	<p>Use Ralph’s estimate of the price elasticity of demand (line 10) to calculate the percentage change in demand for printed photographs if the price is reduced by 10%.</p> <table border="1" data-bbox="320 405 1310 730"> <thead> <tr> <th data-bbox="320 405 1158 468">Rationale</th> <th data-bbox="1158 405 1310 468">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 468 1158 533">Correct answer with or without correct working or %</td> <td data-bbox="1158 468 1310 533">3</td> </tr> <tr> <td data-bbox="320 533 1158 598">Attempt made with correct use of figures</td> <td data-bbox="1158 533 1310 598">2</td> </tr> <tr> <td data-bbox="320 598 1158 663">Formula</td> <td data-bbox="1158 598 1310 663">1</td> </tr> <tr> <td data-bbox="320 663 1158 730">No creditable content</td> <td data-bbox="1158 663 1310 730">0</td> </tr> </tbody> </table> <p><i>The formula can be assumed through an attempt using correct figures.</i></p> <p>Content</p> <p> $\text{PED} = \frac{\% \text{ change in demand}}{\% \text{ change in price}}$ OR $\% \text{ change in demand} = \text{PED} \times \% \text{ change in price}$ (1 mark) </p> <p> $-4 = \frac{\% \text{ change in demand}}{-10\%}$ OR $\% \text{ change in demand} = -4 \times -10\%$ (2 marks) </p> <p> $-4 \times -10\% = (+) 40\%$ (3 marks) </p> <p>OFR if an error is made earlier in the process.</p> <p>Common incorrect answers</p>	Rationale	Marks	Correct answer with or without correct working or %	3	Attempt made with correct use of figures	2	Formula	1	No creditable content	0	3
Rationale	Marks											
Correct answer with or without correct working or %	3											
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No creditable content	0											

Question	Answer			Marks
1(b)(i)	Answer	Mark	Rationale	
	40 (no working)	3	A correct answer. % sign is not required	
	-10% × 4 Change in demand = -40%	2	The answer should not be negative, but this arises from only one error in the use of figures. First mark for implied use of the formula. An error in the use of figures (4 instead of -4) and an OFR mark for the incorrect answer	
	-40% (no working)	0	This is a wrong answer and with no working it cannot be rewarded	
	$\frac{-10\%}{\text{Demand}} = -4$ Change in demand = 2.5%	2	A common mistake. The candidate has inverted the formula. There is an attempt made with the correct figures, so 2 marks	
	2.5% (no working)	0	If the candidate gives a wrong answer with no working to back it up, then award no marks	
	\$100 000 (no working)	0	An incorrect answer with no working to show how it was obtained	
OFR				

Question	Answer	Marks															
1(b)(ii)	<p>Explain <u>one</u> way in which Ralph could use price elasticity of demand when making pricing decisions.</p> <table border="1" data-bbox="327 347 1302 772"> <thead> <tr> <th data-bbox="327 347 499 412">Level</th> <th data-bbox="499 347 1182 412">Knowledge and Application</th> <th data-bbox="1182 347 1302 412">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="327 412 499 544">2b (APP+APP)</td> <td data-bbox="499 412 1182 544">Explanation of one use of PED when making pricing decisions in context</td> <td data-bbox="1182 412 1302 544">3</td> </tr> <tr> <td data-bbox="327 544 499 645">2a (APP)</td> <td data-bbox="499 544 1182 645">Identification of one use of PED when making pricing decisions in context</td> <td data-bbox="1182 544 1302 645">2</td> </tr> <tr> <td data-bbox="327 645 499 710">1a (K)</td> <td data-bbox="499 645 1182 710">Identification of one use of PED</td> <td data-bbox="1182 645 1302 710">1</td> </tr> <tr> <td data-bbox="327 710 499 772">0</td> <td data-bbox="499 710 1182 772">No creditable content</td> <td data-bbox="1182 710 1302 772">0</td> </tr> </tbody> </table> <p><i>Do not reward knowledge of PED as it has been rewarded in the previous question. This question is about a use of PED.</i></p> <p><i>Also do not reward making pricing decisions, as this is in the question – there must be more (i.e. reducing price).</i></p> <p>Indicative content</p> <p>AO1 Knowledge and understanding Ways of using price elasticity of demand may include:</p> <ul data-bbox="316 1146 1276 1388" style="list-style-type: none"> • To know whether to increase or decrease the price to gain higher revenue. • To know whether to offer price discounts/promotions to gain more sales. • To understand if a business could survive/be profitable – could link to the break-even point. • To decide a pricing strategy. <p>AO2 Application</p> <ul data-bbox="316 1458 1305 1798" style="list-style-type: none"> • Elasticity of -4 – an elastic response to price. • If Ralph decreases the price of photography printing by 10%, he may gain an increase in sales of 40% (OFR) – which means he makes more money/profit. • If Ralph increases the price by 10%, sales may fall by 40% (OFR) – which means he makes less money/profit. • Customers come into the SB shop – which means his estimate is likely to be more accurate. • Ralph’s main competition is online – which can change often, making his estimate less useful. <p><i>Application (APP) is likely to come from the context, with developed application (APP+APP) from further use of that context.</i></p>	Level	Knowledge and Application	Marks	2b (APP+APP)	Explanation of one use of PED when making pricing decisions in context	3	2a (APP)	Identification of one use of PED when making pricing decisions in context	2	1a (K)	Identification of one use of PED	1	0	No creditable content	0	3
Level	Knowledge and Application	Marks															
2b (APP+APP)	Explanation of one use of PED when making pricing decisions in context	3															
2a (APP)	Identification of one use of PED when making pricing decisions in context	2															
1a (K)	Identification of one use of PED	1															
0	No creditable content	0															

Question	Answer			Marks
1(b)(ii)	Example of how responses should be marked.			
	Identification of a way (K – 1 mark)	Application (APP – 2 marks)	Developed application (APP+APP – 3 marks)	
	To see if he should increase or decrease the price	In this case it has an elasticity of -4	which shows an elastic response	
	To estimate the effect of a price drop	For a 10% fall, QD will change by 40%	which will make Ralph more money	
ARA				

Question	Answer				Marks
1(c)	Analyse <u>one</u> advantage and <u>one</u> disadvantage to Ralph of introducing job production.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2b	Applies context to understanding of one advantage and one disadvantage of job production	4	Good analysis of one advantage and one disadvantage of introducing job production in context	4
	2a	Applies context to understanding of one advantage or one disadvantage of job production	3	Good analysis of one advantage or one disadvantage of introducing job production in context	3
	1b	Shows knowledge of one advantage and one disadvantage of job production	2	Limited analysis of one advantage and one disadvantage of introducing job production	2
	1a	Shows knowledge of one advantage or one disadvantage of job production	1	Limited analysis of one advantage or one disadvantage of introducing job production	1
	0	No creditable content			
<i>Annotate marks for the advantage in the left-hand margin and marks for the disadvantage in the right-hand margin.</i>					
Indicative content					
AO1 Knowledge and understanding					
Knowledge of advantages may include:					
<ul style="list-style-type: none"> • high-quality • meets customer's specific needs • greater job satisfaction • makes a unique product 					
Knowledge of disadvantages may include:					
<ul style="list-style-type: none"> • high unit cost of production • labour/time intensive process • may require new equipment/training • may require job redesign 					

Question	Answer	Marks
1(c)	<p>AO2 Application</p> <ul style="list-style-type: none"> • SB currently uses batch production but based on individual customer photographs. • SB currently has a low-profit margin. • Idea to introduce framed individual photographs made by job production. • Frames can be made for any sized photograph or picture. • Variety of customer chosen materials. • Requires specialised equipment. • Equipment would cost \$10 000. • Industry is more competitive (online competitors). • Reference to PED (OFR to Qbi). • Current process is capital intensive. <p>AO3 Analysis</p> <p>Advantages may include:</p> <ul style="list-style-type: none"> • high quality: may be particularly important in framing and to compete against lower priced competitors • meets customer's specific needs: important because each frame will be different, and Ralph will be framing many sizes of photograph/picture • greater job satisfaction: Ralph is a sole trader and may desire a more challenging job • makes a unique product: may provide Ralph with a USP over other online competitors <p>Disadvantages may include:</p> <ul style="list-style-type: none"> • high unit cost of production: may make Ralph's frames too expensive to compete with the flow-produced frames – may require Ralph to enter into a lease agreement • labour/time intensive process: may take a great deal of Ralph's time (AN) – will he be able to produce at a rate that will be profitable? (DEV) • may require new equipment/training: requires the purchase/lease of new equipment • may require job redesign: may require Ralph to sell his photograph printing equipment – loss of current revenue 	

Question	Answer				Marks
1(c)	Examples of how an answer could develop and how it should be annotated.				
	K	APP	AN	DEV	
	An advantage may be that Ralph could make unique (K)	photo frames to fit any sized photo (APP)	This means that he can have a higher profit margin (AN)	which could lead to more profit and income for Ralph (DEV)	
	A disadvantage will be the high cost of producing each frame (K)	because each frame will be tailor-made using the customer chosen materials (APP)	This means that Ralph will need to charge a high price (AN)	and he might lose customers, decreasing his sales revenue (DEV)	
ARA					

Question	Answer				Marks
1(d)	Recommend whether Ralph should use leasing or should sell his photograph printing machine as a source of finance for the equipment to make frames. Justify your recommendation.				11
	Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks	
			Justified recommendation based on argument in context	7	
			Developed recommendation based on argument in context	6	
			An evaluative statement/ recommendation based on argument in context	5	
	Applies context to understanding of leasing and applies context to understanding of sale of assets	4	Argument based on the use of leasing in context and argument based on sale of assets in context	4	
	Applies context to understanding of leasing or applies context to understanding of sale of assets	3	Argument based on the use of leasing in context or argument based on sale of assets in context	3	
	Shows knowledge of leasing and knowledge of sale of assets as a source of finance	2	Limited analysis of leasing and limited analysis of sale of assets	2	
	Shows knowledge of leasing or knowledge of sale of assets as a source of finance	1	Limited analysis of leasing or limited analysis of sale of assets	1	
	No creditable content				
	<i>Annotate marks for the leasing in the left-hand margin and marks for the sale of assets in the right-hand margin.</i>				

Question	Answer	Marks
1(d)	<p>Indicative content</p> <p>AO1 Knowledge and understanding Knowledge of the two required sources of finance, including:</p> <ul style="list-style-type: none"> • Leasing is a way of financing the acquisition of assets without actually having to buy it. Leasing involves a finance company purchasing the asset for the business and the business pays a regular (monthly/yearly) fee for use of the asset. Leasing is similar to renting and usually the asset is not ever owned by the business. An external source of finance. • Sale of assets is when a business sells off its assets and the cash generated is used as a source of finance for the business. An internal source of finance. <p>AO2 Application Application of leasing may include:</p> <ul style="list-style-type: none"> • specialised equipment to frame individual photographs – may require maintenance which will be covered in a lease agreement • Ralph may still be able to continue printing photographs • five-year lease • \$400 per month • $\\$400 \times 12 \text{ months} = \\4800 per year • $\\$4800 \times 5 \text{ years} = \\$24\,000 \text{ in total}$ <p>Application of sale of assets may include:</p> <ul style="list-style-type: none"> • Sell photograph printing machine for at least \$10 000 – based on an estimate of what he can sell it for. • Ralph will be unable to continue his current business of printing photographs. • Ralph would have full ownership of the specialised equipment, with no additional costs of ownership. • Ralph may need to pay for maintenance/breakdown of machine – whole business will be based on this. <p>AO3 Analysis Analysis of leasing may include:</p> <ul style="list-style-type: none"> • No upfront cost – but a monthly cost of \$400 – may be particularly useful while Ralph is building up the business. • Fixed cost for five years – but it would work out significantly more expensive than outright purchase – $\\$400 \times 60 \text{ months} = \\$24\,000$, compared to \$10 000. • Maintenance and breakdown would be covered for the five-year term of the lease – reduces uncertainty for Ralph. • Ralph would be able to upgrade after five years – to better equipment which may allow him to increase his profit margin. 	

Question	Answer				Marks														
1(d)	<p>Analysis of sale of asset may include:</p> <ul style="list-style-type: none"> Cheaper (\$10 000) than leasing (\$24 000) – increases the overall profit of the business. No longer able to provide photography printing – loss of current sales – far riskier. Ralph would be responsible for maintenance and breakdown costs – may lead to unexpected costs and have an impact on profit. Ralph may be unable to find a buyer for his photography printing machine, especially since the market has moved online – may mean this is an unsuitable source of finance. <p>AO4 Evaluation</p> <ul style="list-style-type: none"> A recommendation about whether Ralph should choose leasing or sell his photography machine as a source of finance for the equipment to make the frames. A judgement over the relative suitability of the chosen sources of finance. Elements that the recommendation/judgement could depend upon, including the selling price of the photograph printing machine, the terms of the lease, the forecast demand for the frames, the forecast demand for printed photographs, the competition in the framing market, etc. Weighing up of the impacts on Ralph of the recommended source(s) of finance. <p>Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="320 1137 1310 1906"> <thead> <tr> <th data-bbox="320 1137 504 1202">K</th> <th data-bbox="509 1137 686 1202">APP</th> <th data-bbox="691 1137 868 1202">AN</th> <th data-bbox="873 1137 1050 1202">DEV</th> <th data-bbox="1054 1137 1310 1202">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1202 504 1503">Leasing involves paying a monthly fee (K)</td> <td data-bbox="509 1202 686 1503">In this case Ralph would pay \$400 per month for five years (APP)</td> <td data-bbox="691 1202 868 1503">That is a greater cost to Ralph than purchasing outright (AN)</td> <td data-bbox="873 1202 1050 1503">Because it would be \$14 000 more, reducing Ralph's profit (DEV)</td> <td data-bbox="1054 1202 1310 1906" rowspan="2">Ralph should choose to sell his printing machine (EVAL) because the level of competition in his current market is already increasing. There may be no market for his printing machine if he waits (EVAL). It really depends on how confident Ralph is about the likely success of the new business venture (EVAL)</td> </tr> <tr> <td data-bbox="320 1503 504 1906">Selling the photograph printing machine would mean he no longer has it (K)</td> <td data-bbox="509 1503 686 1906">Which means Ralph can't continue his current printing business (APP)</td> <td data-bbox="691 1503 868 1906">This is a much bigger risk for Ralph than leasing (AN)</td> <td data-bbox="873 1503 1050 1906">However, it is \$14 000 cheaper so he is able to make a bigger profit (DEV)</td> </tr> </tbody> </table> <p>ARA</p>				K	APP	AN	DEV	EVAL	Leasing involves paying a monthly fee (K)	In this case Ralph would pay \$400 per month for five years (APP)	That is a greater cost to Ralph than purchasing outright (AN)	Because it would be \$14 000 more, reducing Ralph's profit (DEV)	Ralph should choose to sell his printing machine (EVAL) because the level of competition in his current market is already increasing. There may be no market for his printing machine if he waits (EVAL). It really depends on how confident Ralph is about the likely success of the new business venture (EVAL)	Selling the photograph printing machine would mean he no longer has it (K)	Which means Ralph can't continue his current printing business (APP)	This is a much bigger risk for Ralph than leasing (AN)	However, it is \$14 000 cheaper so he is able to make a bigger profit (DEV)	
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2(a)(i)	<p>Define the term ‘objective’ (line 13).</p> <table border="1" data-bbox="320 315 1310 577"> <thead> <tr> <th data-bbox="320 315 1177 380">Knowledge</th> <th data-bbox="1177 315 1310 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 380 1177 448">A correct definition</td> <td data-bbox="1177 380 1310 448">2</td> </tr> <tr> <td data-bbox="320 448 1177 515">A partial, vague or unfocused definition</td> <td data-bbox="1177 448 1310 515">1</td> </tr> <tr> <td data-bbox="320 515 1177 577">No creditable content</td> <td data-bbox="1177 515 1310 577">0</td> </tr> </tbody> </table> <p>Indicative content</p> <p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> • Specific and measurable goals which a business sets out to achieve. <p><i>A correct definition should include:</i></p> <ul style="list-style-type: none"> • <i>an idea that an objective is an aim/goal/target (allow any similar term)</i> • <i>that a business (or a stakeholder) wants to achieve/reach/obtain (allow any similar term).</i> <table border="1" data-bbox="320 952 1310 1644"> <thead> <tr> <th data-bbox="320 952 874 1016">Exemplar</th> <th data-bbox="874 952 1007 1016">Marks</th> <th data-bbox="1007 952 1310 1016">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1016 874 1120">The aims that a business wants to achieve</td> <td data-bbox="874 1016 1007 1120">2</td> <td data-bbox="1007 1016 1310 1120">Both elements covered</td> </tr> <tr> <td data-bbox="320 1120 874 1223">The targets a business wants to reach</td> <td data-bbox="874 1120 1007 1223">2</td> <td data-bbox="1007 1120 1310 1223">Both elements covered</td> </tr> <tr> <td data-bbox="320 1223 874 1288">What an owner is aiming to do</td> <td data-bbox="874 1223 1007 1288">2</td> <td data-bbox="1007 1223 1310 1288">Both elements</td> </tr> <tr> <td data-bbox="320 1288 874 1447">The long-term aims which can be about profit, sales, or CSR</td> <td data-bbox="874 1288 1007 1447">1</td> <td data-bbox="1007 1288 1310 1447">One element – there is no idea that a business is trying to achieve them</td> </tr> <tr> <td data-bbox="320 1447 874 1550">What a business wants to achieve</td> <td data-bbox="874 1447 1007 1550">1</td> <td data-bbox="1007 1447 1310 1550">One element – no idea of an aim</td> </tr> <tr> <td data-bbox="320 1550 874 1644">Objectives are the business objectives that a business has</td> <td data-bbox="874 1550 1007 1644">0</td> <td data-bbox="1007 1550 1310 1644">Tautology</td> </tr> </tbody> </table> <p>ARA</p>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	The aims that a business wants to achieve	2	Both elements covered	The targets a business wants to reach	2	Both elements covered	What an owner is aiming to do	2	Both elements	The long-term aims which can be about profit, sales, or CSR	1	One element – there is no idea that a business is trying to achieve them	What a business wants to achieve	1	One element – no idea of an aim	Objectives are the business objectives that a business has	0	Tautology	2
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2(a)(ii)	<p>Explain the term ‘private limited company’ (line 1).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="320 383 1308 745"> <thead> <tr> <th></th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Application of a private limited company to an example or some other way of showing good understanding</td> <td>1</td> </tr> <tr> <td>B</td> <td>Understanding of a feature unique to a private limited company</td> <td>1</td> </tr> <tr> <td>A</td> <td>Understanding of feature(s) of a company</td> <td>1</td> </tr> </tbody> </table> <p><i>Must have A and B marks before awarding the C mark.</i></p> <p>Indicative content</p> <p>AO1 Knowledge and understanding Features of a company including:</p> <ul style="list-style-type: none"> • an incorporated business • shares can be sold/owners are shareholders • limited liability • separate legal identity • continuity • must make accounts available to everyone <p>Features unique to a private limited company including:</p> <ul style="list-style-type: none"> • cannot sell shares on a public stock exchange • do not need to publish accounts (just make available) • may only be sold to family and/or friends <p>AO2 Application Application of a private limited company, such as:</p> <ul style="list-style-type: none"> • an example of a private limited company, such as Jaguar, Lifestyle International, etc. (Do not reward repetition from the data, i.e. ‘AB is a private limited company’.) • application of how any of the K&U points might apply to a business, e.g. a private limited company not being able to sell shares on the stock market might restrict its ability to raise finance • application of further knowledge of a private limited company, such as continuity, legal personality, limited liability 		Rationale	Marks	C	Application of a private limited company to an example or some other way of showing good understanding	1	B	Understanding of a feature unique to a private limited company	1	A	Understanding of feature(s) of a company	1	3
	Rationale	Marks												
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Question	Answer			Marks
2(a)(ii)	Exemplar	Marks	Rationale	
	A business with shares but they cannot be sold on the stock market. This limits their sources of finance	3	All elements covered	
	A limited liability business that does not have to publish its accounts so the competitors cannot see them	3	All elements covered	
	Sells shares but not on the stock exchange	2	A and B marks only	
	A company which can sell shares has limited liability and is incorporated	1	Only the A mark (many times)	
	AB is a private limited company	0	No K&U, just repetition from the data	
	AB is privately owned	0	Confusion with a private sector business	
ARA				

Question	Answer	Marks																						
2(b)(i)	<p>Calculate the profit made from selling standard and advanced services in April.</p> <table border="1" data-bbox="320 349 1308 987"> <thead> <tr> <th data-bbox="320 349 1177 414">Rationale</th> <th data-bbox="1177 349 1308 414">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 414 1177 479">Correct answer(s) with or without correct working or \$</td> <td data-bbox="1177 414 1308 479">3</td> </tr> <tr> <td data-bbox="320 479 1177 719"> <ul style="list-style-type: none"> • Correct calculation of total revenue and total costs for both services • Correct calculation of the total profit of standard or advanced services • Correct calculation of the profit from one standard and one advanced service </td> <td data-bbox="1177 479 1308 719">2</td> </tr> <tr> <td data-bbox="320 719 1177 922"> <ul style="list-style-type: none"> • Formula • Correct calculation of one total revenue or one total cost figure • Correct calculation of the profit from one advanced or one standard service </td> <td data-bbox="1177 719 1308 922">1</td> </tr> <tr> <td data-bbox="320 922 1177 987">No creditable content</td> <td data-bbox="1177 922 1308 987">0</td> </tr> </tbody> </table> <p>Indicative content</p> <p>Formula: revenue – total costs or (price – total costs per unit) x quantity</p> <table border="1" data-bbox="320 1155 1308 1727"> <thead> <tr> <th data-bbox="320 1155 815 1220">Standard services</th> <th data-bbox="815 1155 1308 1220">Advanced services</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1220 815 1330"> $\\$250 - (\\$50 + \\$60) = \\140 (profit from one standard service) </td> <td data-bbox="815 1220 1308 1330"> $\\$400 - (\\$60 + \\$100) = \\240 (profit from one advanced service) </td> </tr> <tr> <td data-bbox="320 1330 815 1424"> $\\$140 \times 1000 = \mathbf{\\$140\ 000}$ (profit from all standard services) </td> <td data-bbox="815 1330 1308 1424"> $\\$240 \times 200 = \mathbf{\\$48\ 000}$ (profit from all advanced services) </td> </tr> <tr> <td data-bbox="320 1424 815 1518"> $1000 \times \\$250 = \\$250\ 000$ (total revenue from standard services) </td> <td data-bbox="815 1424 1308 1518"> $200 \times \\$400 = \\$80\ 000$ (total revenue from advanced services) </td> </tr> <tr> <td data-bbox="320 1518 815 1612"> $(\\$50 + \\$60) \times 1000 = \\$110\ 000$ (total cost of standard services) </td> <td data-bbox="815 1518 1308 1612"> $(\\$60 + \\$100) \times 200 = \\$32\ 000$ (total cost of advanced services) </td> </tr> <tr> <td data-bbox="320 1612 815 1727"> $\\$250\ 000 - \\$110\ 000 = \mathbf{\\$140\ 000}$ (profit from all standard services) </td> <td data-bbox="815 1612 1308 1727"> $\\$80\ 000 - \\$32\ 000 = \mathbf{\\$48\ 000}$ (total profit from all advanced services) </td> </tr> </tbody> </table> <p>$\\$140\ 000 + \\$48\ 000 = \\$188\ 000$ (total profit from all services)</p> <p>\$188 000 (3 marks) or \$140 000 and \$48 000 (3 marks)</p>	Rationale	Marks	Correct answer(s) with or without correct working or \$	3	<ul style="list-style-type: none"> • Correct calculation of total revenue and total costs for both services • Correct calculation of the total profit of standard or advanced services • Correct calculation of the profit from one standard and one advanced service 	2	<ul style="list-style-type: none"> • Formula • Correct calculation of one total revenue or one total cost figure • Correct calculation of the profit from one advanced or one standard service 	1	No creditable content	0	Standard services	Advanced services	$\$250 - (\$50 + \$60) = \140 (profit from one standard service)	$\$400 - (\$60 + \$100) = \240 (profit from one advanced service)	$\$140 \times 1000 = \mathbf{\$140\ 000}$ (profit from all standard services)	$\$240 \times 200 = \mathbf{\$48\ 000}$ (profit from all advanced services)	$1000 \times \$250 = \$250\ 000$ (total revenue from standard services)	$200 \times \$400 = \$80\ 000$ (total revenue from advanced services)	$(\$50 + \$60) \times 1000 = \$110\ 000$ (total cost of standard services)	$(\$60 + \$100) \times 200 = \$32\ 000$ (total cost of advanced services)	$\$250\ 000 - \$110\ 000 = \mathbf{\$140\ 000}$ (profit from all standard services)	$\$80\ 000 - \$32\ 000 = \mathbf{\$48\ 000}$ (total profit from all advanced services)	3
Rationale	Marks																							
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Question	Answer			Marks
2(b)(i)	Common incorrect answers			
	Answer	Mark	Rationale	
	188 000 (no working)	3	A correct answer, \$ not required	
	140 000 and 48 000	3	A correct answer, \$ not required	
	140 000	2	The calculation of only standard services profit, \$ not required	
	48 000	2	The calculation of only standard services profit, \$ not required	
	\$140 + \$240 = \$380	2	Correct calculation of profit from one standard and one advanced service	
	$1000 \times \$250 =$ $\$250\,000$ $200 \times \$400 =$ $\$80\,000$ $\$250\,000 + \$80\,000$ $= \$330\,000$	1	Only calculation of total revenue, needs total costs for 2 marks	
	\$110 000 + \$32 000 = \$142 000	1	Only calculation of total costs, needs total revenue for 2 marks	
	\$550 (no working)	0	Only the revenue from one standard and one advanced service, not the total. Also no working to back this up	

Question	Answer	Marks															
2(b)(ii)	<p>Explain <u>one</u> possible problem for AB of trying to allocate indirect costs.</p> <table border="1" data-bbox="320 349 1308 775"> <thead> <tr> <th data-bbox="320 349 491 414">Level</th> <th data-bbox="491 349 1177 414">Knowledge and Application</th> <th data-bbox="1177 349 1308 414">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 414 491 512">2b (APP+ APP)</td> <td data-bbox="491 414 1177 512">Explanation of one possible problem of allocating indirect costs in context</td> <td data-bbox="1177 414 1308 512">3</td> </tr> <tr> <td data-bbox="320 512 491 611">2a (APP)</td> <td data-bbox="491 512 1177 611">Identification of one possible problem of allocating indirect costs in context</td> <td data-bbox="1177 512 1308 611">2</td> </tr> <tr> <td data-bbox="320 611 491 710">1a (K)</td> <td data-bbox="491 611 1177 710">Knowledge of one possible problem of allocating indirect costs</td> <td data-bbox="1177 611 1308 710">1</td> </tr> <tr> <td data-bbox="320 710 491 775">0</td> <td data-bbox="491 710 1177 775">No creditable content</td> <td data-bbox="1177 710 1308 775">0</td> </tr> </tbody> </table> <p><i>Although the definition of an indirect cost (a cost that cannot be attributed to a production process) is not rewardable, it contains a problem, so will usually gain a K mark.</i></p> <p>Indicative content</p> <p>AO1 Knowledge and understanding Knowledge of problems of allocating indirect costs may include:</p> <ul data-bbox="320 1084 1308 1218" style="list-style-type: none"> • not attributable to the production process • not attributable to a specific product/service • how to split costs such as marketing, administration, expenses when they are not directly linked to a costs centre <p>AO2 Application</p> <ul data-bbox="320 1290 1308 1733" style="list-style-type: none"> • The attributed indirect cost of an advanced service is \$40 more than a standard service (APP) – this may not reflect the difference in marketing/admin/expenses (APP+APP). • It may be difficult to allocate costs to the different types of service (APP) – because some garages may be busier than others (APP+APP). • The allocation is fixed, even though the garage sells five times more standard services than advanced (APP). If a garage does more/fewer services, then the contribution should vary (APP+APP). • Marketing for the different services may be through the AB brand (APP) – but the allocation does not reflect this (APP+APP). • The two services have different allocated indirect costs (APP) – \$60 for a standard service and \$100 for an advanced service (APP+APP) – however, there is no reason given for the difference (APP+APP). <p><i>Application (APP) is likely to come from the context, with developed application (APP+APP) from further use of that context.</i></p>	Level	Knowledge and Application	Marks	2b (APP+ APP)	Explanation of one possible problem of allocating indirect costs in context	3	2a (APP)	Identification of one possible problem of allocating indirect costs in context	2	1a (K)	Knowledge of one possible problem of allocating indirect costs	1	0	No creditable content	0	3
Level	Knowledge and Application	Marks															
2b (APP+ APP)	Explanation of one possible problem of allocating indirect costs in context	3															
2a (APP)	Identification of one possible problem of allocating indirect costs in context	2															
1a (K)	Knowledge of one possible problem of allocating indirect costs	1															
0	No creditable content	0															

Question	Answer			Marks
2(b)(ii)	Example of how responses should be marked.			
	Knowledge of problem of allocating indirect costs (K – 1 mark)	Application (APP – 2 marks)	Developed application (APP+APP – 3 marks)	
	It may be difficult to know the true level of indirect cost that should be allocated to each product	The standard service only has an allocation of \$60	But it may take as much administration as the advanced service	
	Each service will be sold using the same branding which is part of the indirect costs	But the advanced service is allocated \$40 more in indirect costs	And this might make the advanced service seem less profitable	
	ARA			

Question	Answer				Marks
2(c)	Analyse <u>two</u> below the line promotion methods that AB could use to increase the sales of advanced services.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2b	Applies promotion to two below the line promotion methods	4	Good analysis of two below the line promotion methods in context	4
	2a	Applies context to one below the line promotion method	3	Good analysis of one below the line promotion method in context	3
	1b	Shows knowledge of two below the line promotion methods	2	Limited analysis of two below the line promotion methods	2
	1a	Shows knowledge of one below the line promotion method	1	Limited analysis of one below the line promotion method	1
	0	No creditable content			
<i>Annotate marks for the first method in the left-hand margin and marks for the second method in the right-hand margin.</i>					
Indicative content					
AO1 Knowledge and understanding					
Knowledge of below the line promotion methods, including:					
<ul style="list-style-type: none"> • Sales promotion; allow promotional pricing (i.e. BOGOF), but not just pricing • Direct marketing and direct mail, e.g. flyers • Public relations • Sponsorship • Personal selling • Branding and merchandising • Telemarketing • Trade fairs and exhibitions • Social media • Using own website (not a third party) • Word of mouth 					

Question	Answer	Marks
2(c)	<p>AO2 Application</p> <ul style="list-style-type: none"> • AB repairs and maintains motorcycles • Nine garages • Highly qualified mechanics • Two types of service: standard and advanced • May be possible to ‘upsell’ from standard to advanced services • AB sells five times as many standard services compared to advanced services • Higher profit margin for advanced services <p>AO3 Analysis</p> <ul style="list-style-type: none"> • Sales promotion: no outlay required (AN) – may focus on upselling from standard services to advanced, meeting the objective of increasing advanced sales (DEV) – however, may reduce sales of standard services (DEV). • Direct marketing and direct mail: can be focussed on customers who may have purchased services from AB in the past which can increase the chance of targeting the right customers (AN) – reduces the cost of promotion, increasing profits (DEV). • Public relations (PR): articles about AB in local newspapers may target the local market which increases the chances of successful promotion (AN) – however, there is no guarantee that the articles will show AB in a positive light (DEV). • Sponsorship: of local/national sports teams close to branches of AB may link AB to a successful team leading to increased sales (AN) – however, if the team does badly then AB may suffer from being associated with the team, leading to decreased sales (DEV). • Personal selling: upselling advanced services increases sales of a more profitable service (AN) – which could lead to a higher average profit margin and increased total profit (DEV). • Branding and merchandising: toys of motorbikes branded with AB, pens, etc., may get passed around and be seen by a large number of people (AN) – however, there may be a large initial cost with no guarantee of success (DEV). • Packaging: AB may be able to put stickers on motorcycles which have been serviced by AB and which could be seen by many potential customers (AN) – however, owners may not want to have the stickers, meaning they throw them away, wasting the money spent to produce them (DEV). • Telemarketing: direct calling of potential/existing customers of AB may increase sales (AN) – however, the cost is likely to be high and may not be targeted on the right market, wasting time and money (DEV). • Trade fairs and exhibitions: may allow AB to team up with other local businesses (for example, tyre garages) leading to cross promotion of the services (AN) – increasing sales of all services with minimal cost (DEV). 	

Question	Answer				Marks
2(c)	Examples of how an answer could develop and how it should be annotated.				
	K	APP	AN	DEV	
	Sponsorship (K)	Of a sports team that competes near one of AB's nine garages (APP)	This could lead to the supporters of the team seeing the AB brand every week when their team plays, increasing sales for AB (AN)	However, AB may have to pay a large amount to sponsor the team and the audience may not have a motorcycle, leading to a waste of AB's marketing budget (DEV)	
	Direct mail (K)	AB could send emails to all of their previous customers because they know that they are most likely to own a motorcycle (APP)	These previous customers are likely to purchase services from AB, increasing sales (AN)	And since many vehicles need a yearly service, it may build up a loyal customer base who repeat purchase from AB often (DEV)	
ARA					

Question	Answer				Marks
2(d)	Recommend a new payment method for the mechanics at AB. Justify your recommendation.				11
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)		Marks
			Justified evaluation based on argument in context		7
			Developed evaluation based on argument in context		6
			An evaluative statement based on argument in context		5
Applies two pieces of context to understanding of a new payment method(s)		4	Argument based on two impacts of payment method(s) in context		4
Applies one piece of context to understanding of a new payment method(s)		3	Argument based on one impact of payment method(s) in context		3
Shows two pieces of knowledge about a new payment method(s)		2	Limited analysis of two impacts of payment method(s)		2
Shows one piece of knowledge about a new payment method(s)		1	Limited analysis of one impact of payment method(s)		1
No creditable content					
<i>Do not reward time-based payment methods as these are repetition of the case and not a new method.</i>					
<i>Candidates <u>can</u> gain all the marks from one payment method or more than one method.</i>					

Question	Answer	Marks
2(d)	<p>Indicative content</p> <p>AO1 Knowledge and understanding</p> <p>Knowledge of payment methods, including:</p> <ul style="list-style-type: none"> • Salary – a set payment for the completion of a set of tasks. Does not vary based on time/output. • Piece rates – payment per item of output. • Commission – a reward for sales, usually as a percentage of sales/profit. • Bonuses – a payment to reward the best employees. • Profit sharing – a reward based on the level of profit to link employee pay to success of the business. • Performance related pay – linking the business/employee performance to the amount paid. <p>AO2 Application</p> <ul style="list-style-type: none"> • AB repairs and maintains motorcycles • Nine garages • Highly qualified mechanics • Two types of service: standard and advanced • Higher profit margin for advanced services • Motivation of the mechanics is low • Mechanics believe that they are not paid well • Working conditions are dirty and noisy • Currently use time-based payment based on hours worked • Some mechanics believe current pay system rewards lazy workers • Current pay does not take into account level of difficulty of different jobs. <p>AO3 Analysis</p> <p>Analysis of leasing may include:</p> <ul style="list-style-type: none"> • Salary: could be varied for each employee based on experience/skill, increasing motivation of those who have higher skills (AN) – however, likely to be seen as unfair as current method and therefore increasing cost with no increase in revenue (DEV). • Piece rates: may reward speed increasing the number of services that AB can perform and increase revenue (AN) – but could reduce quality which may ruin AB’s reputation which is important for a service (DEV). • Commission: may reward sales and encourage the upselling of standard to advanced service, increasing the profit of AB (AN) – however, since services seem to have a fixed price this again would not reward complexity or quality of work, demotivating the mechanics (DEV). • Bonuses: could be used to reward harder work/skill increasing the number of and/or quality of AB’s services and increasing revenue (AN) – but may be divisive amongst workforce leading to more demotivation and a lack of quantity or quality (DEV). • Profit sharing: may be used to reward hardest worker/those with greater skill, motivating the mechanics to produce more (AN) – however, may not account for how much each worker really contributes to the overall profit (DEV). • Performance related pay: may reward hardest workers leading to increased sales (AN) – but might not reward the complexity of the task, in which case it may demotivate and be seen as unfair (DEV). 	

Question	Answer				Marks														
2(d)	<p>AO4 Evaluation</p> <ul style="list-style-type: none"> • A recommendation about a new payment method for the mechanics at AB. • A judgement over the relative suitability of the chosen payment method. • Elements that the recommendation/judgement could depend upon, including: the AB's budget, AB's profitability, the expected increase in sales from a motivated workforce, the profit margin of each of the types of services, the reaction of the mechanics, the payment system/level at similar businesses (competitors). • Weighing up of the impacts on the mechanics and AB of the recommended new payment method. • Weighing up of the likely advantages/disadvantages of the new payment system against the advantages/disadvantages of the current (time-based) system. <p>Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="320 831 1313 1832"> <thead> <tr> <th data-bbox="320 831 504 891">K</th> <th data-bbox="504 831 687 891">APP</th> <th data-bbox="687 831 871 891">AN</th> <th data-bbox="871 831 1054 891">DEV</th> <th data-bbox="1054 831 1313 891">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 891 504 1361">AB could pay their mechanics using a piece rate (K)</td> <td data-bbox="504 891 687 1361">This would mean paying them for each service they complete on a motorcycle (APP)</td> <td data-bbox="687 891 871 1361">This will reward the mechanics who work hardest because they will earn more and increase the capacity of AB (AN)</td> <td data-bbox="871 891 1054 1361">This means that AB can sell more services leading to increased profit (DEV)</td> <td data-bbox="1054 891 1313 1832" rowspan="2">A piece rate system of payment may be a suitable replacement for AB's time-based system (EVAL). This is because it overcomes one of the mechanics' biggest concerns that lazy workers are currently rewarded the same as those who work hard (EVAL). However, its suitability depends on whether AB can ensure the mechanics do not cut corners and give poor quality services (EVAL).</td> </tr> <tr> <td data-bbox="320 1361 504 1832">However, piece rate rewards quantity not quality (K)</td> <td data-bbox="504 1361 687 1832">And a service business like AB needs a good reputation so that customers feel their motorcycle is safe (APP)</td> <td data-bbox="687 1361 871 1832">If the services are rushed, then customers might start to complain and seek their money back (AN)</td> <td data-bbox="871 1361 1054 1832">This will damage AB's reputation and could lead to a significant loss of sales and profit (DEV)</td> </tr> </tbody> </table> <p>ARA</p>				K	APP	AN	DEV	EVAL	AB could pay their mechanics using a piece rate (K)	This would mean paying them for each service they complete on a motorcycle (APP)	This will reward the mechanics who work hardest because they will earn more and increase the capacity of AB (AN)	This means that AB can sell more services leading to increased profit (DEV)	A piece rate system of payment may be a suitable replacement for AB's time-based system (EVAL). This is because it overcomes one of the mechanics' biggest concerns that lazy workers are currently rewarded the same as those who work hard (EVAL). However, its suitability depends on whether AB can ensure the mechanics do not cut corners and give poor quality services (EVAL).	However, piece rate rewards quantity not quality (K)	And a service business like AB needs a good reputation so that customers feel their motorcycle is safe (APP)	If the services are rushed, then customers might start to complain and seek their money back (AN)	This will damage AB's reputation and could lead to a significant loss of sales and profit (DEV)	
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